



Manufacturing Circle Quarterly Bulletin
Q1 2016

Acknowledge: Manufacturing Circle and Nascence Advisory

Global Conditions

- Slow growth is here, and is staying – predictions till 2020
- US, Germany, UK, Japan all characterised by period of some growth and some decline – mix of indicators
 - USA: Industrial Production decline in Q1 2016
 - Germany: Industrial Production up in Jan; down in Feb & March
 - Europe: Sentiment up in last quarter, but trend is downward; exports up
 - Japan: Mix of production up & down – still underlying weakness

China

- Downward trend on economic growth but still very high (6.6%)
- PMI uptick in March
- China needs to grow fast – internal pressures
- Impact of slower growth in China on resource exporters
- China's response to lower prices & impact on sectors such as steel

How does this affect South Africa?

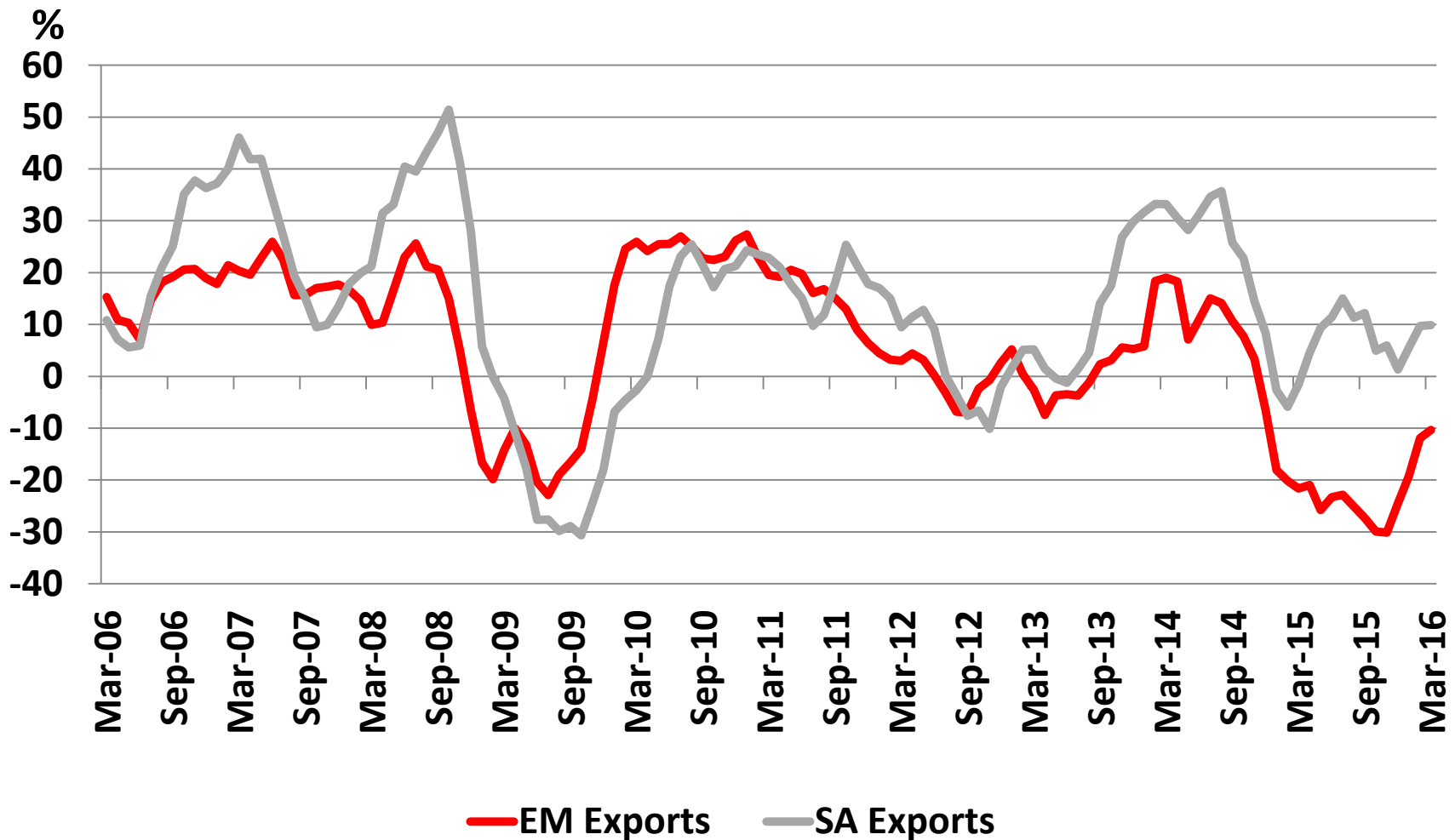
- Slow growth in major trading partners; impact on our exports
- Steel under enormous pressure
- Less revenue from commodity exports
- Manufacturers are under pressure (survey results)

BUT...



Impact of the low Rand

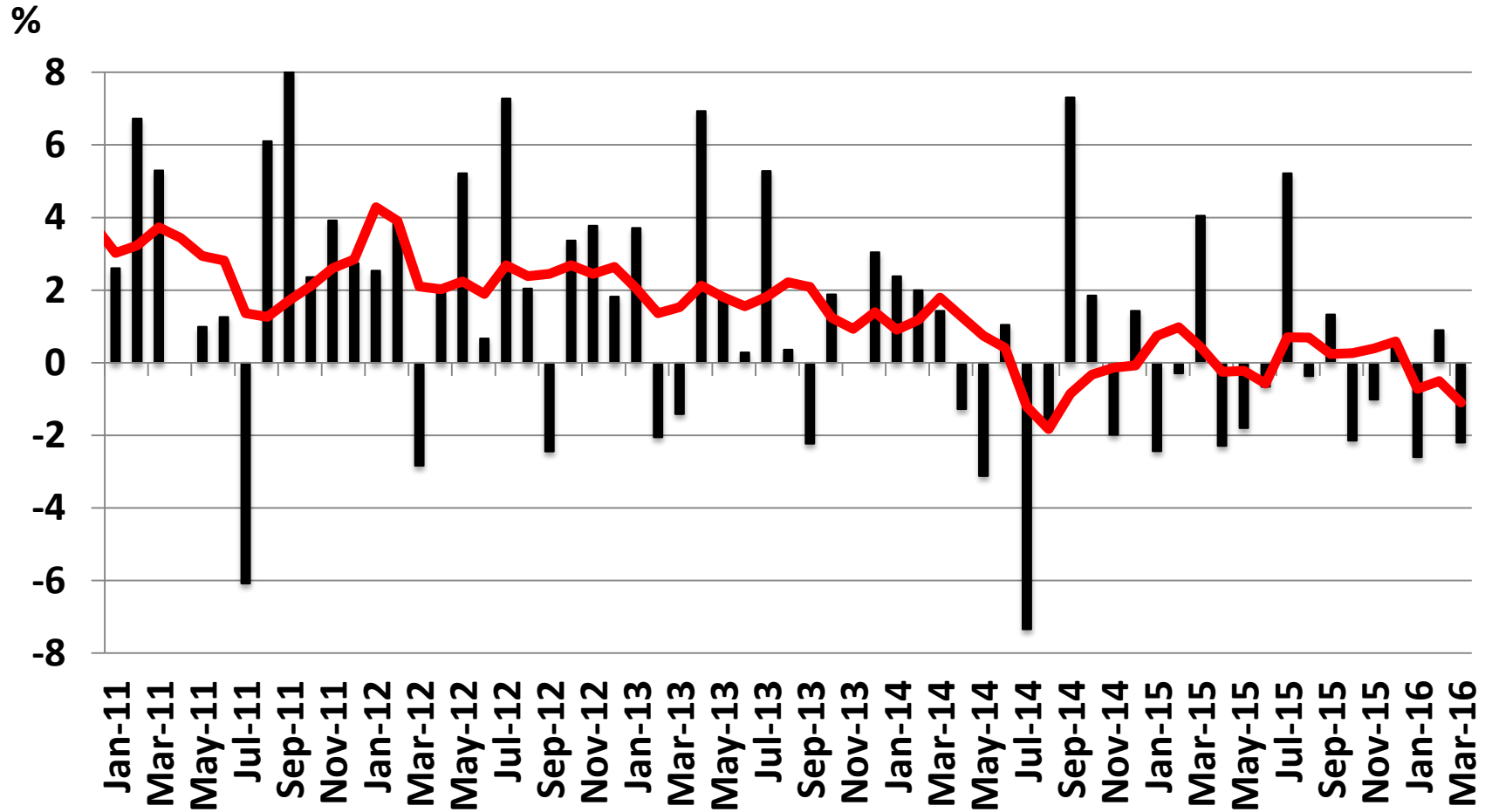
- Cushion mines and steel from the worse of the low commodity prices – if they are rand costed
- Opportunities for import replacement but not fully felt in the economy
- Increase in exports (rand value not \$s)
- High price of imported materials and components
- Impacts on companies that require imported inputs &/or don't face international competition
- Lower oil price not fully felt in the economy
- Possible inflationary impact



EM exports weak but improving

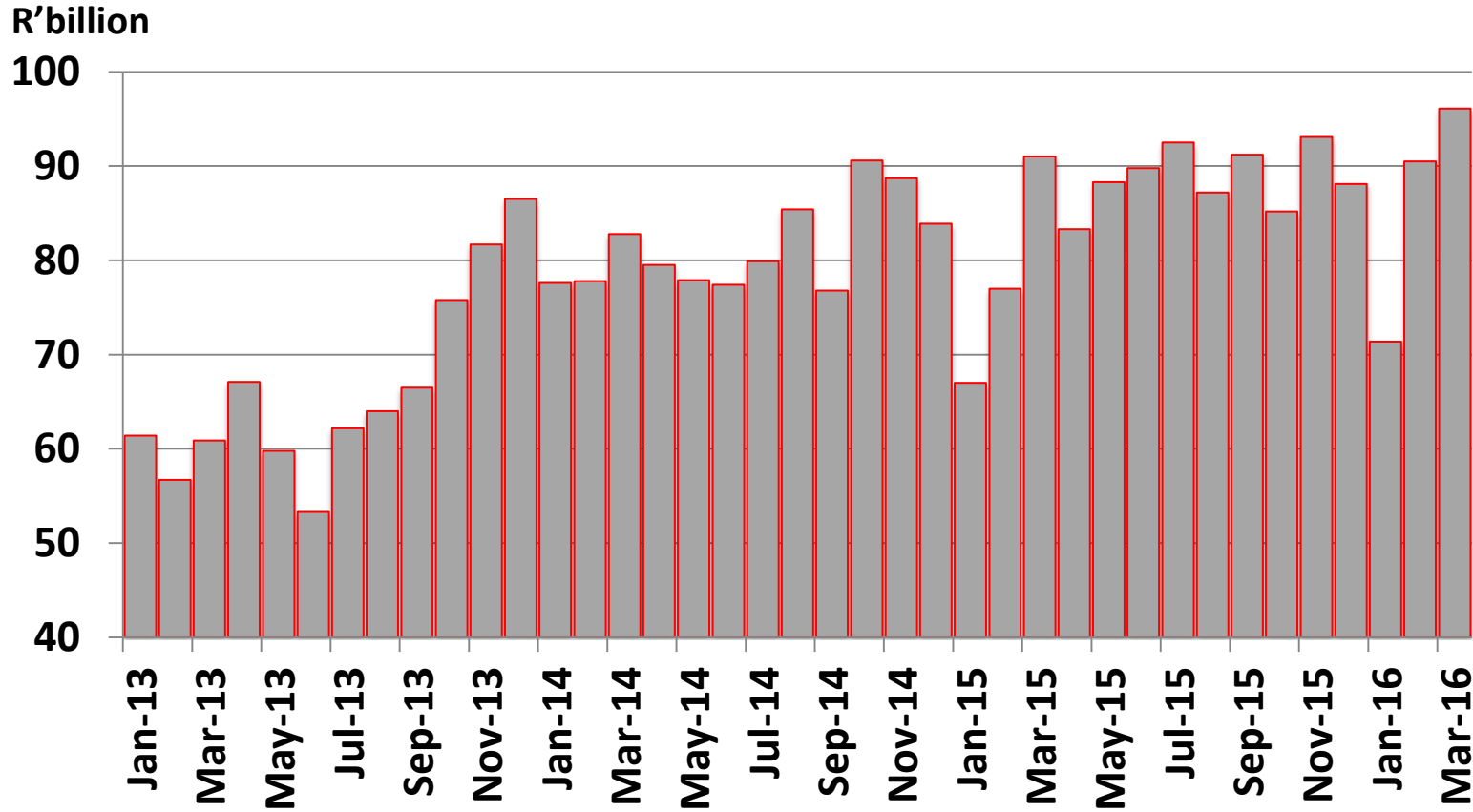


South Africa manufacturing Production tilted downwards



Source: Statistics SA

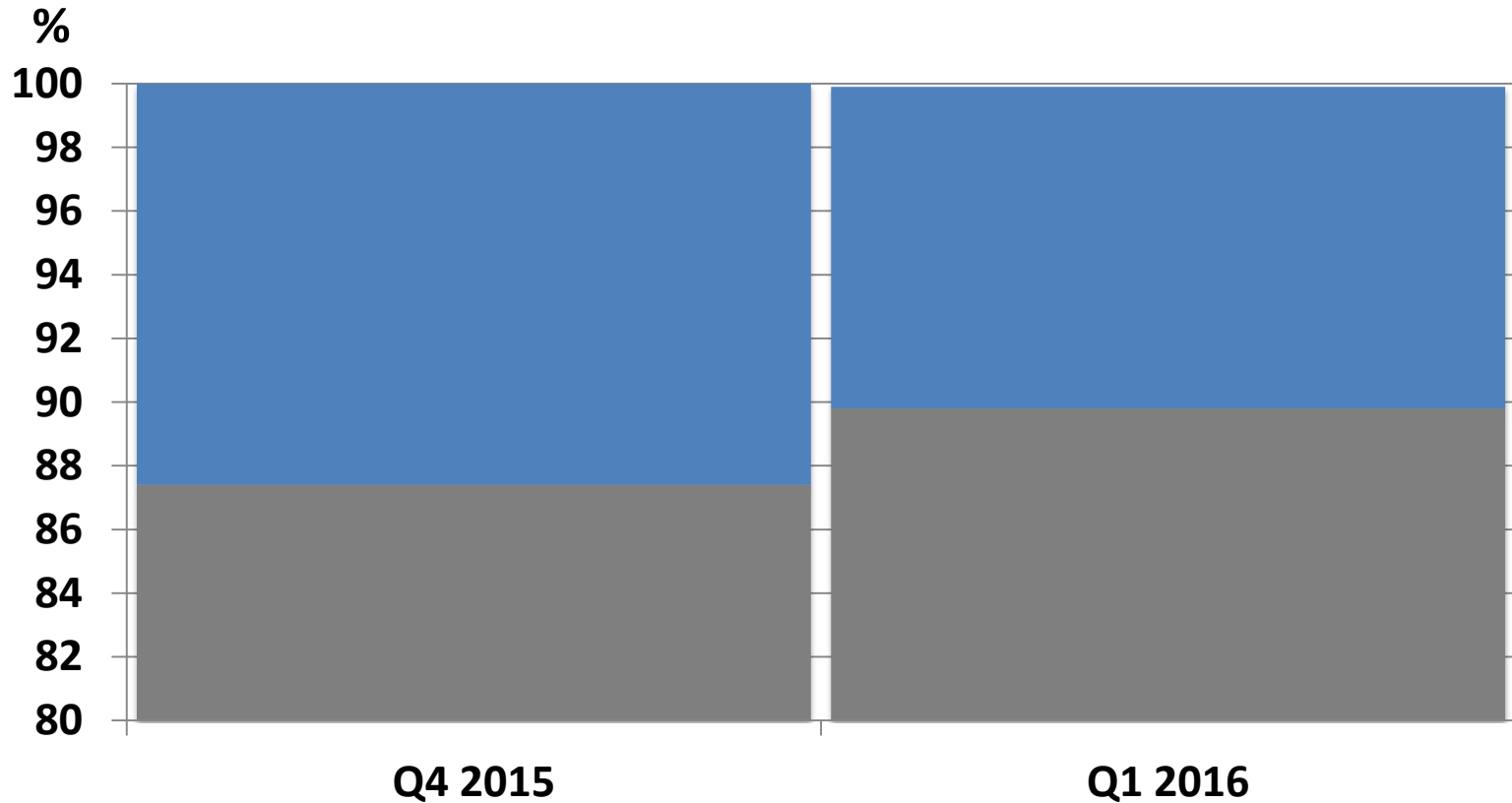
SA Exports improves - exchange rate



The Survey Results:

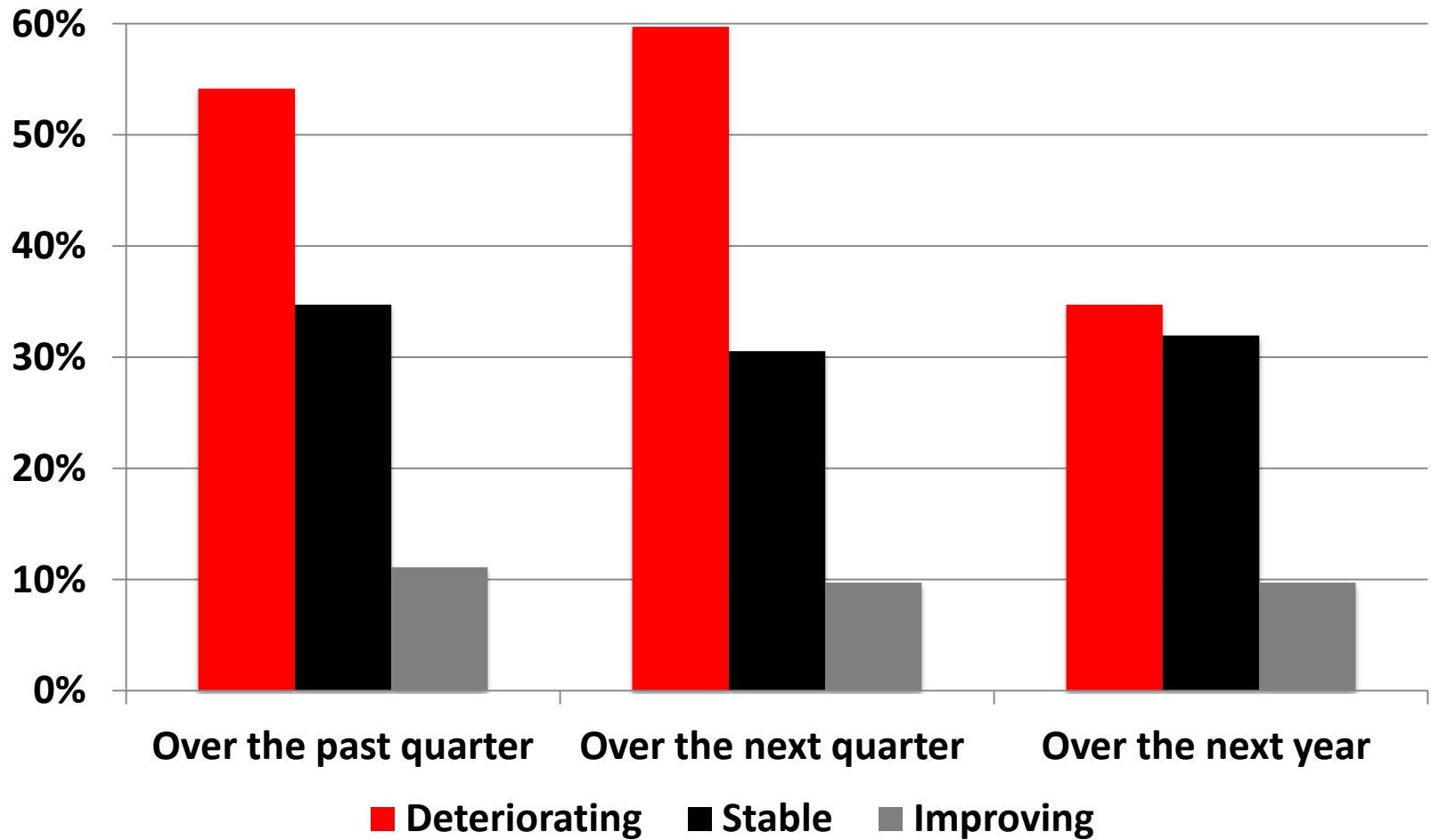
*Manufacturers taking strain in line with local
and international data*





Full Time
 Part Time

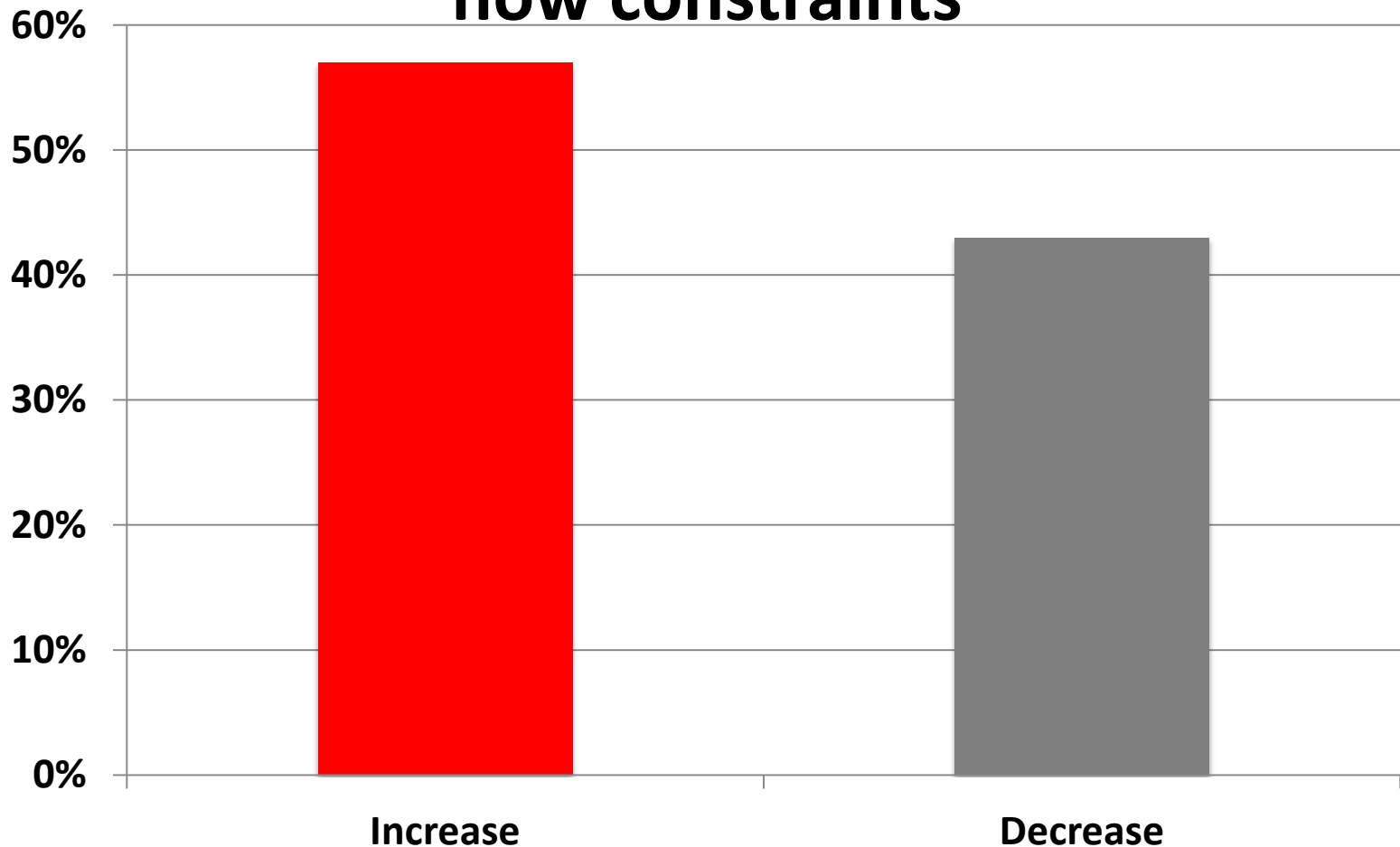
Change in tenure of employment suggests temporary staff is being laid off

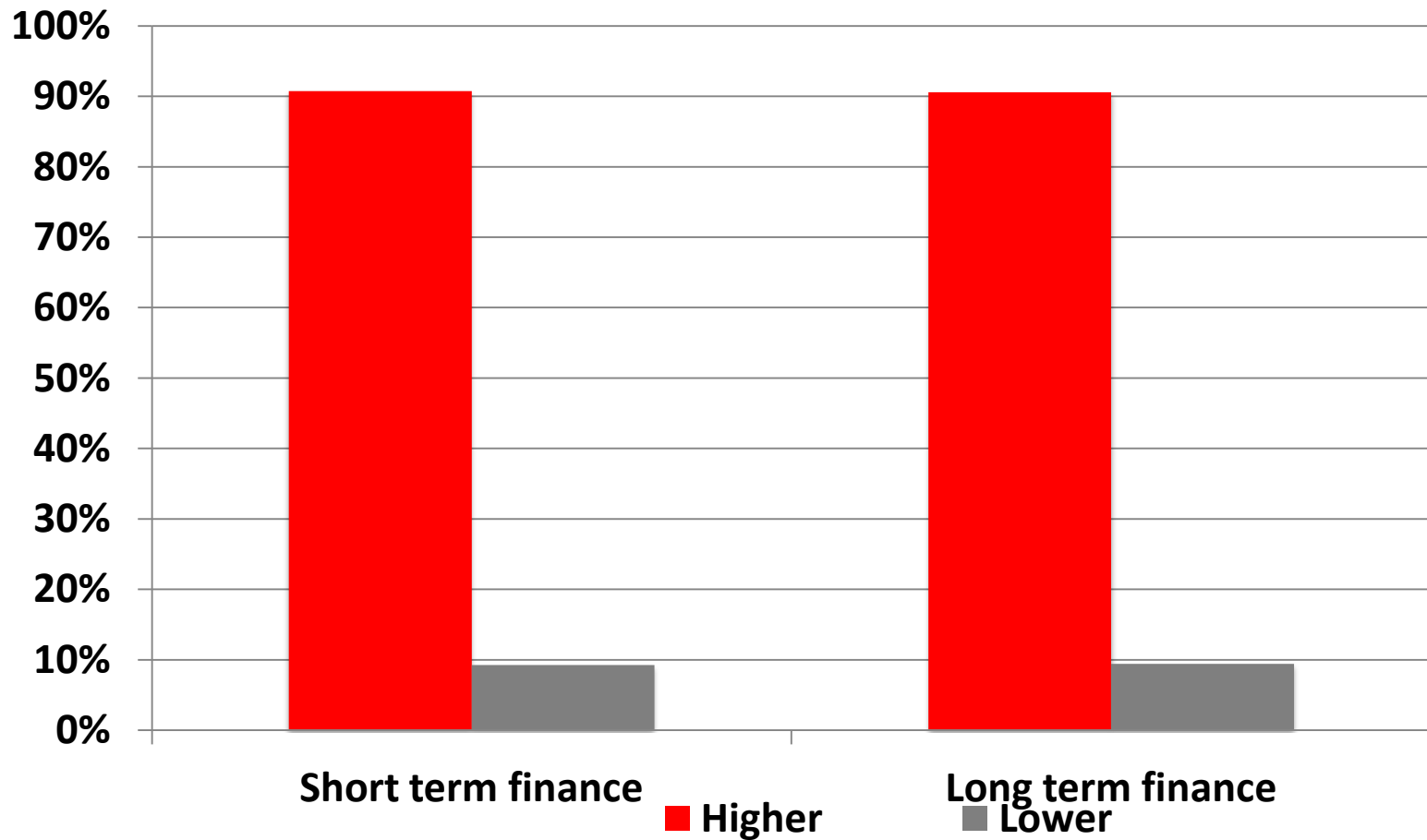


Manufacturing conditions have deteriorated in Q1 16

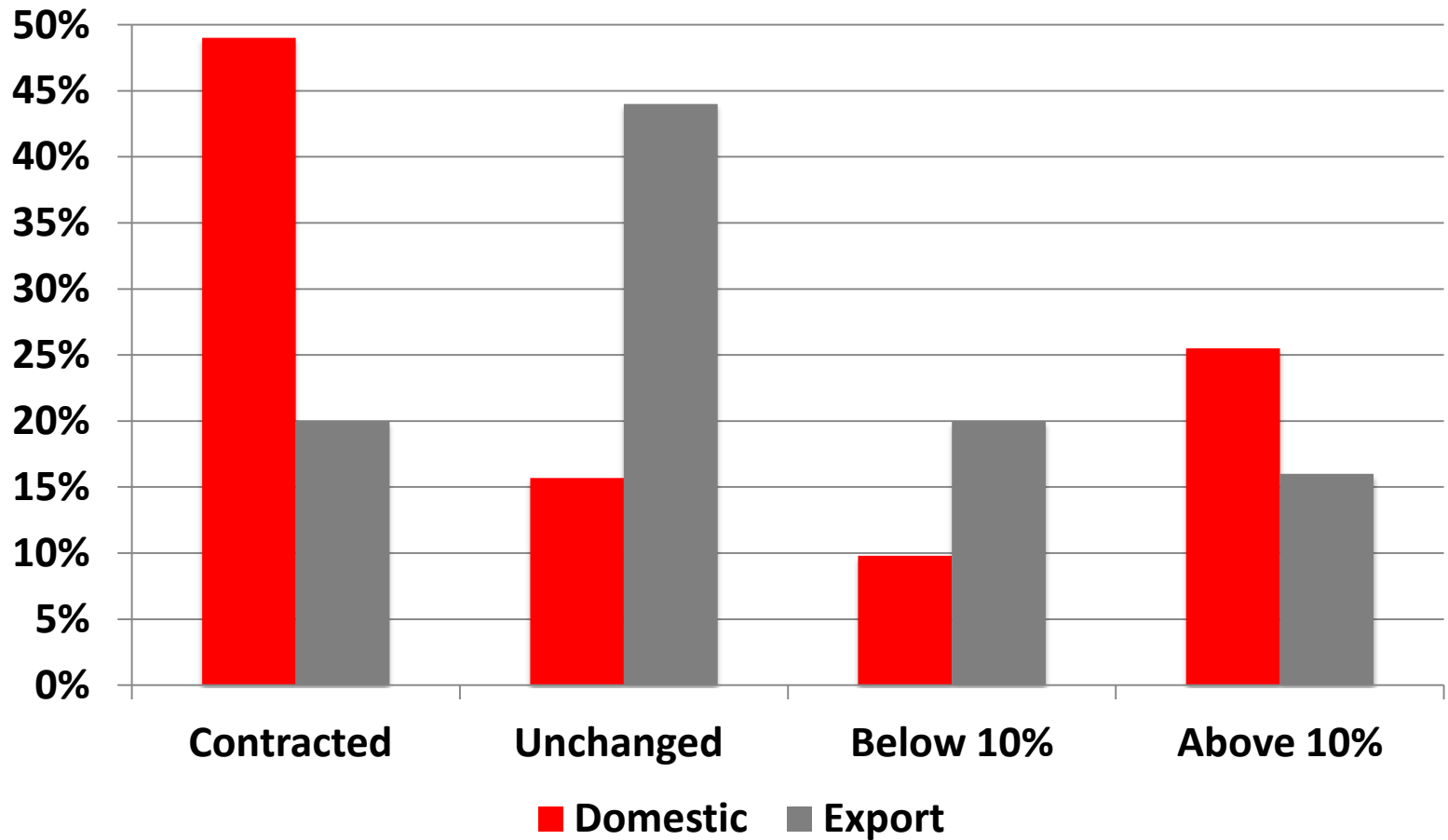


Debt levels over the past quarter show cash flow constraints



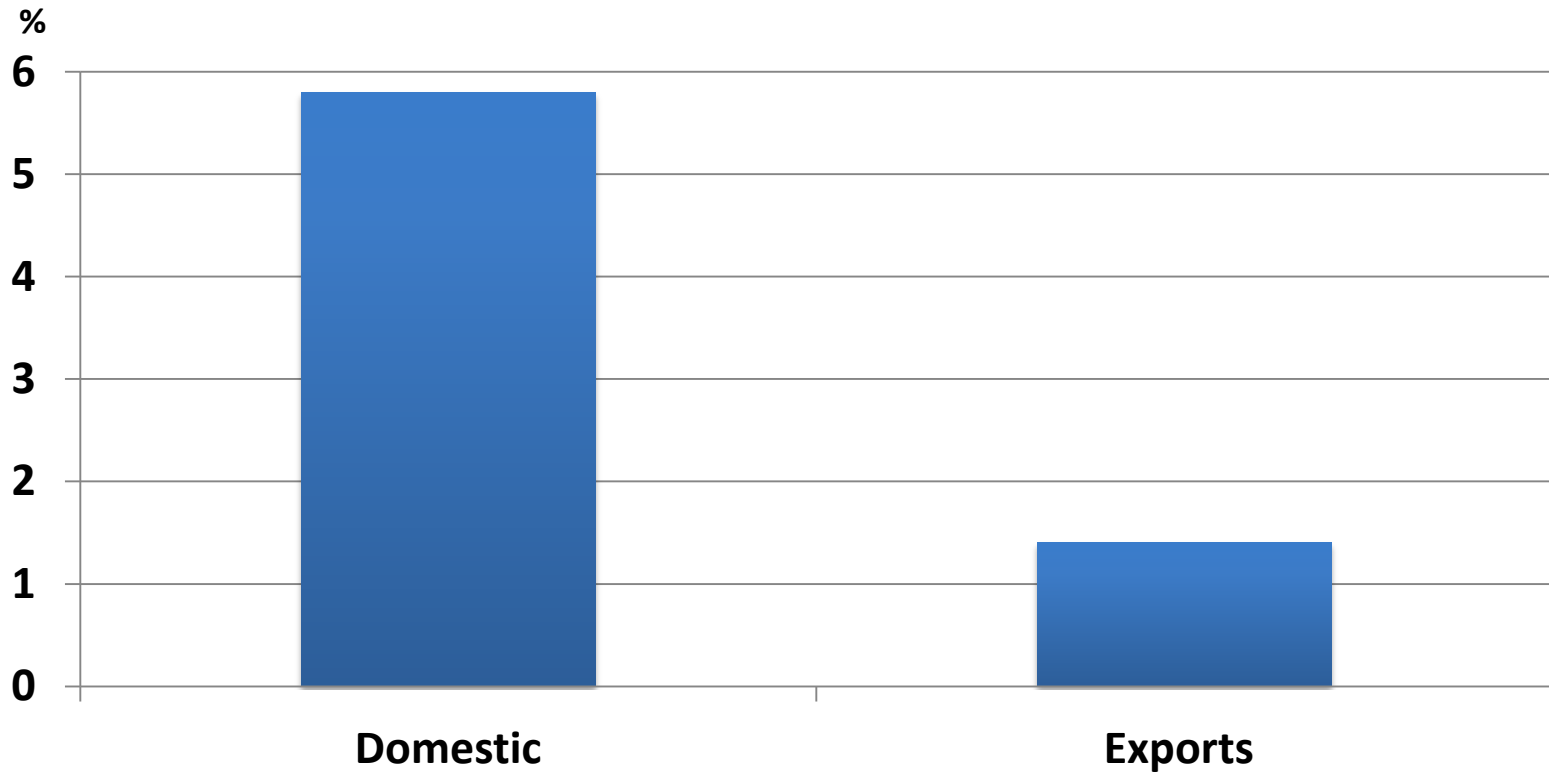


Interest rate hikes taking a bite



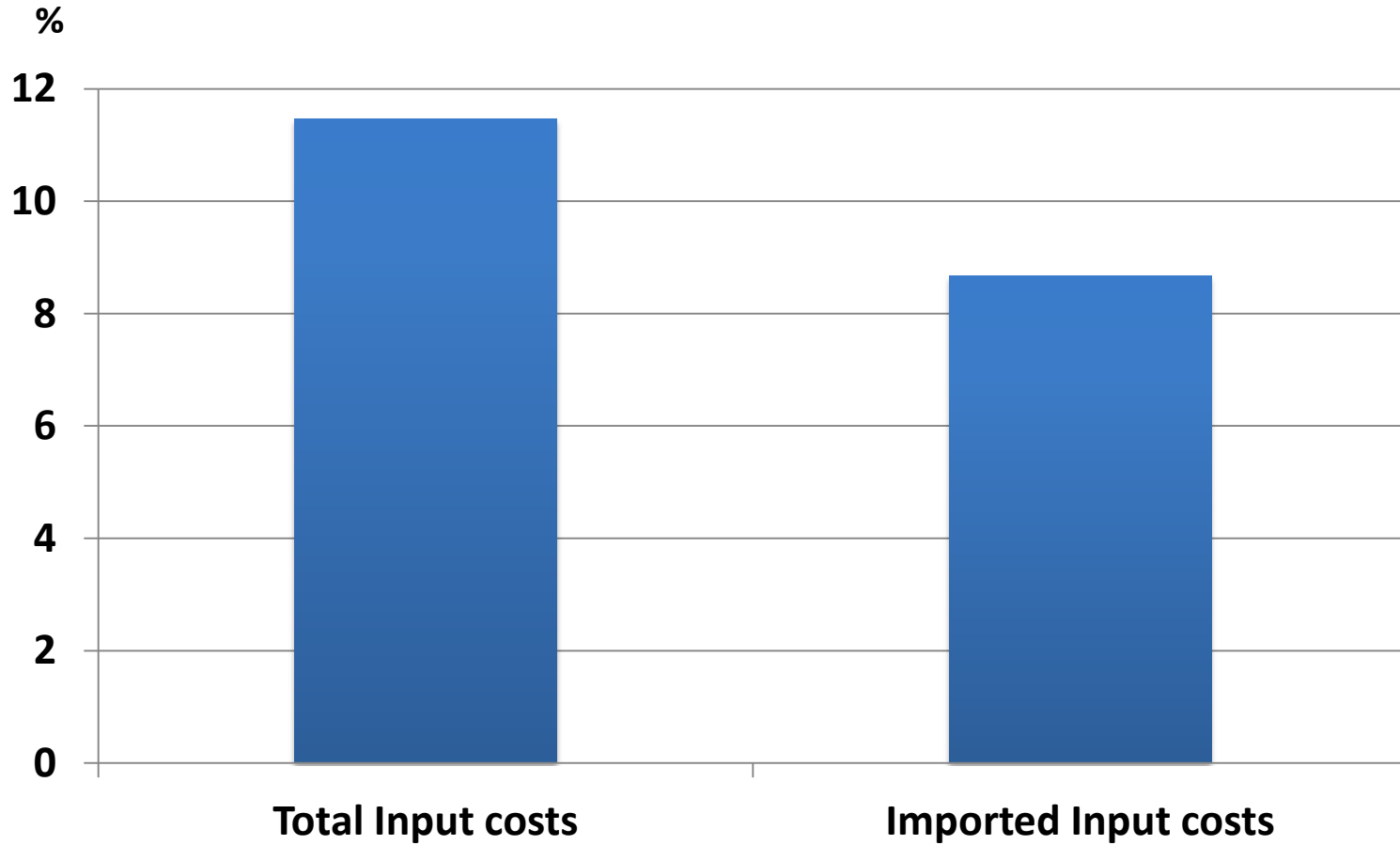
Sales volumes falling



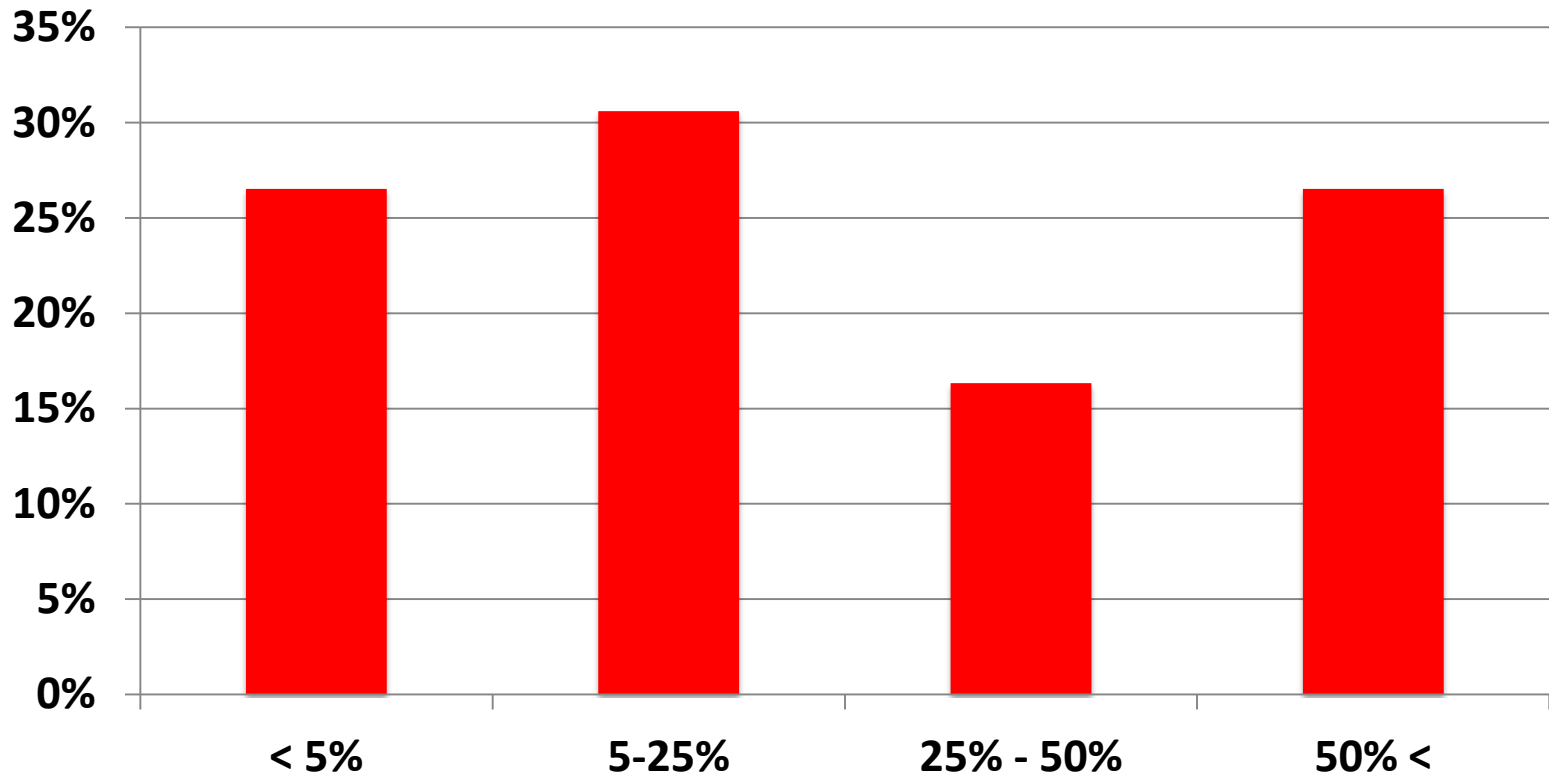


Percentage Sales change not as high as expected for exports

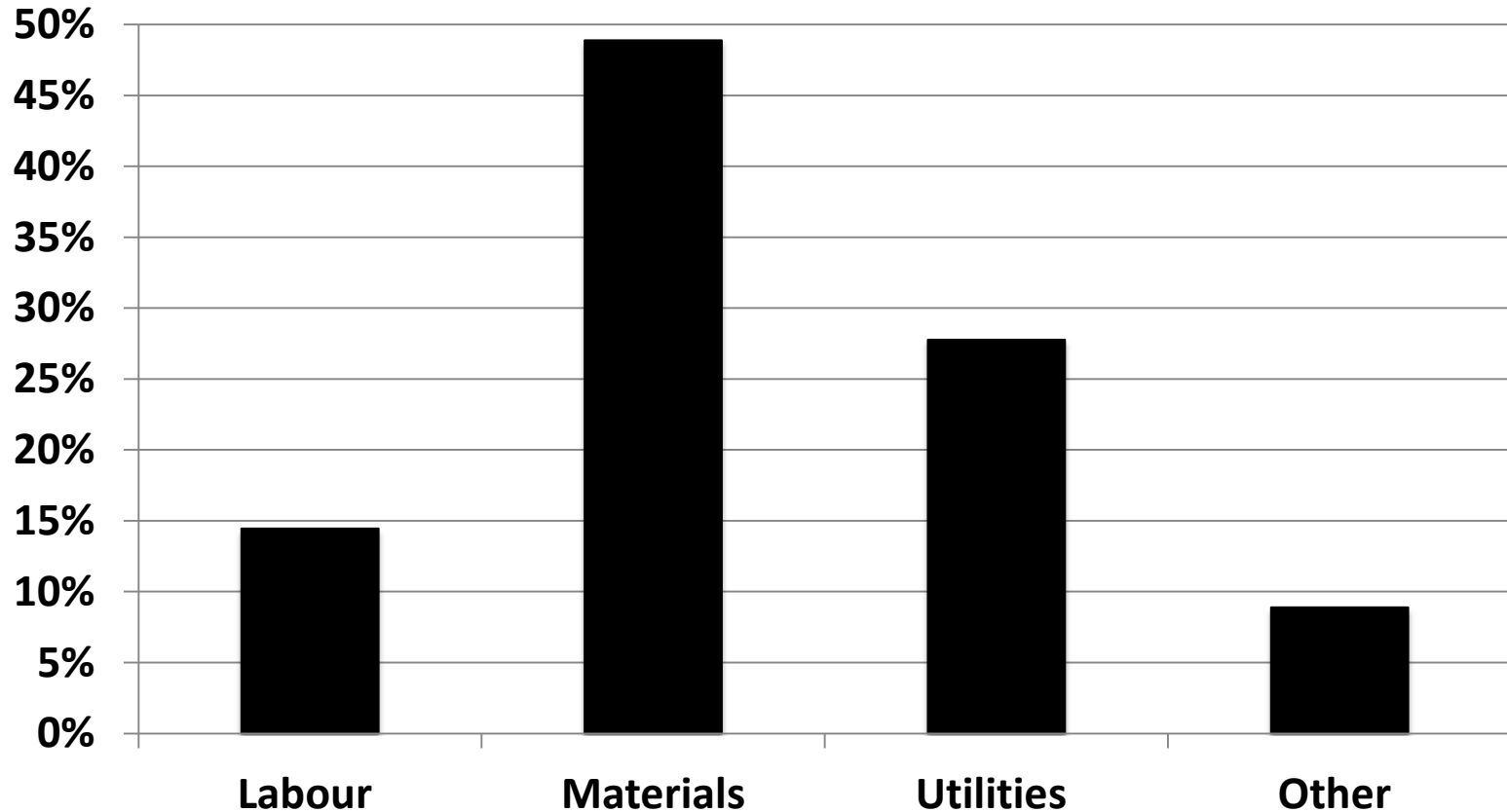
But Costs are escalating



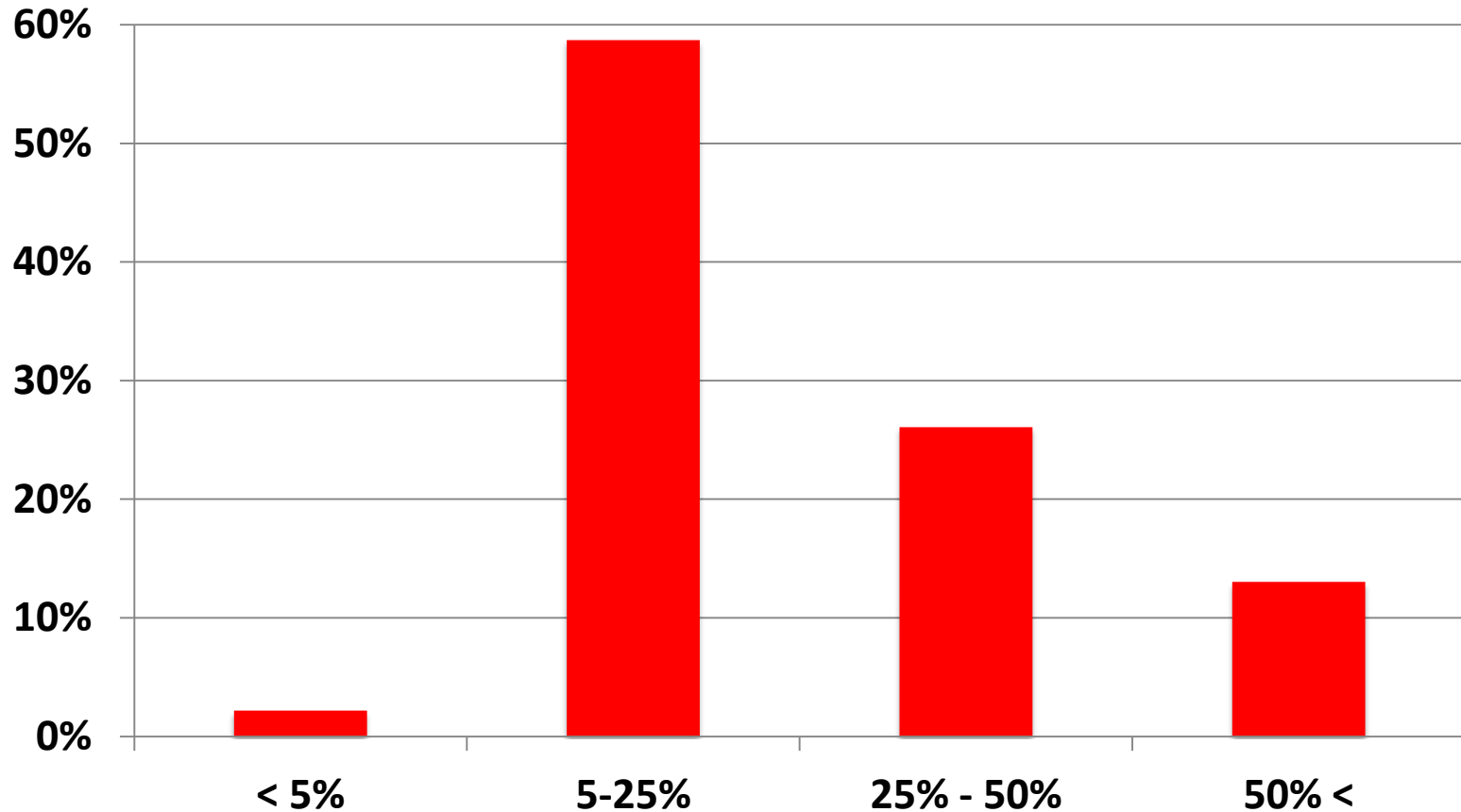
High percentage of imported costs – as much as half

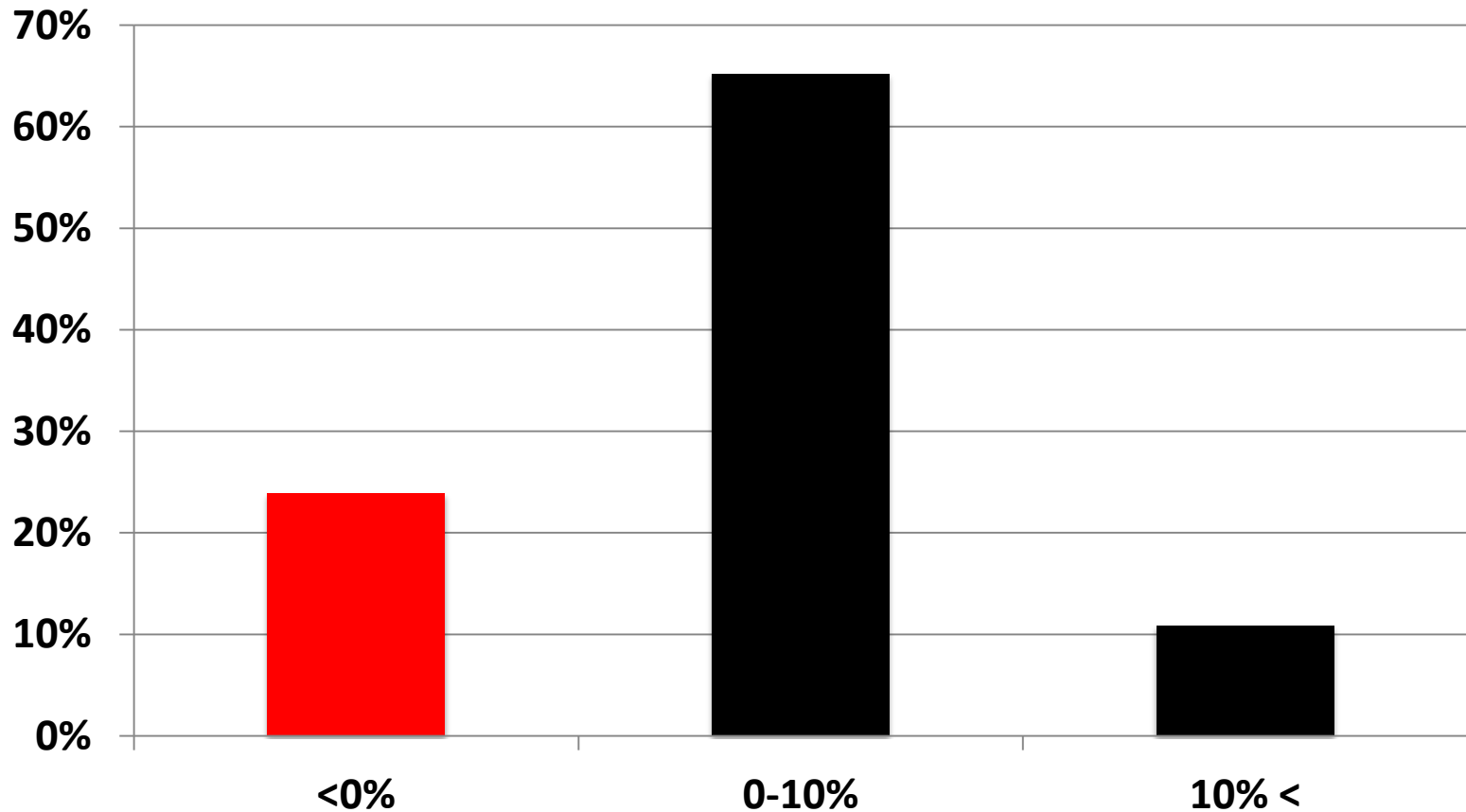


Materials a major driver of input Cost

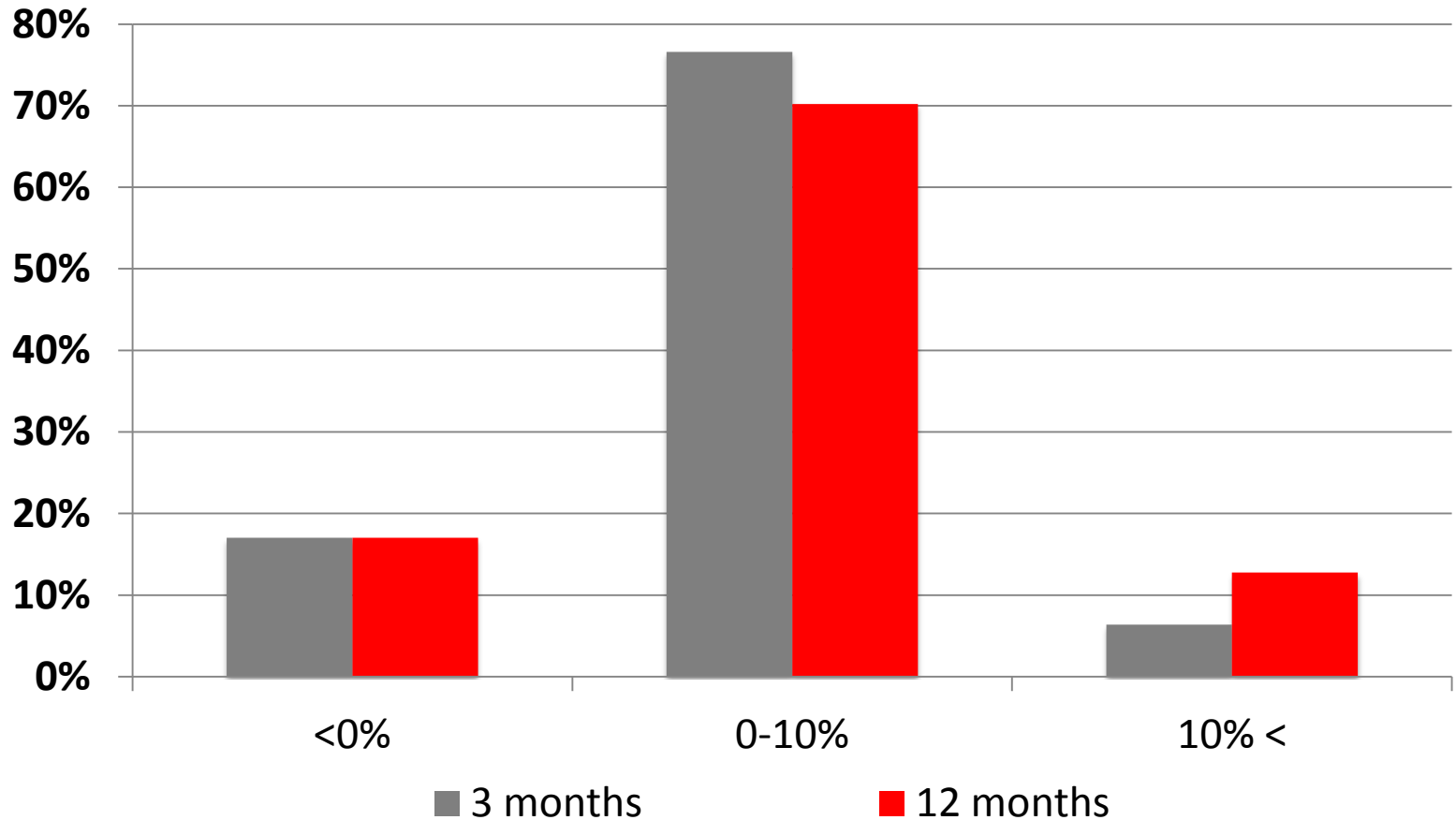


Costs attributed to wages moderated

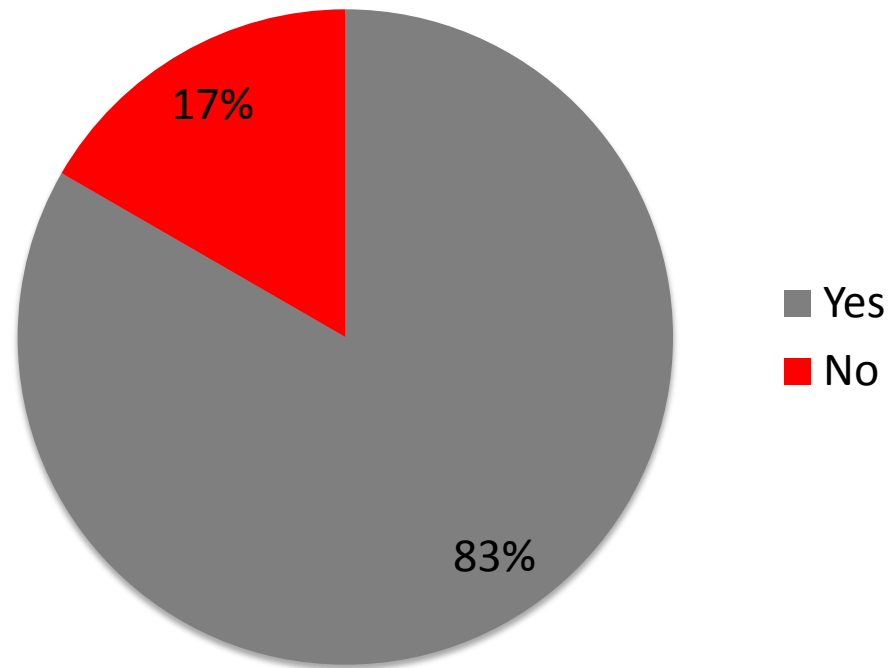




Change in employment – +-25% said they reduced employment in the quarter

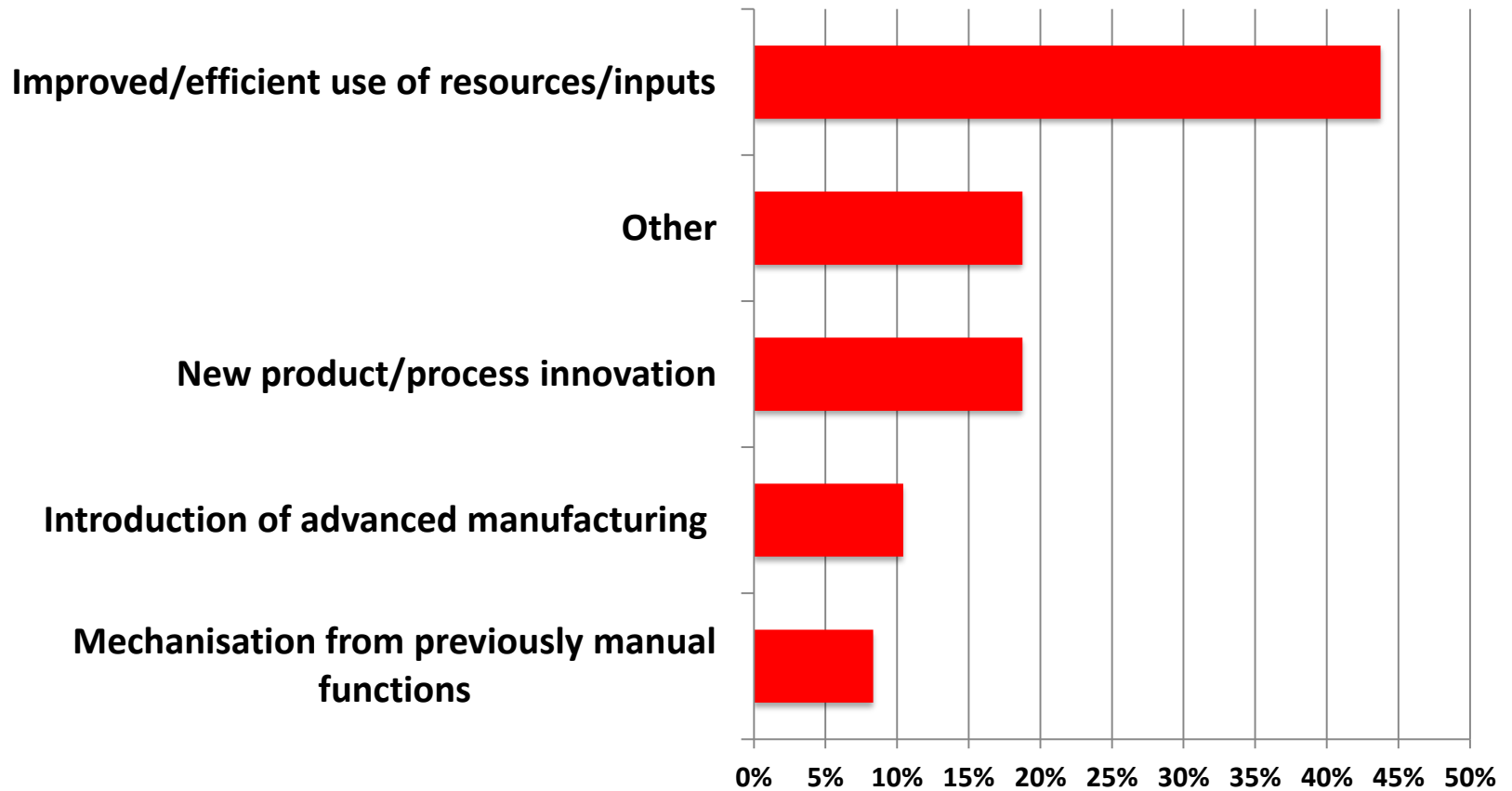


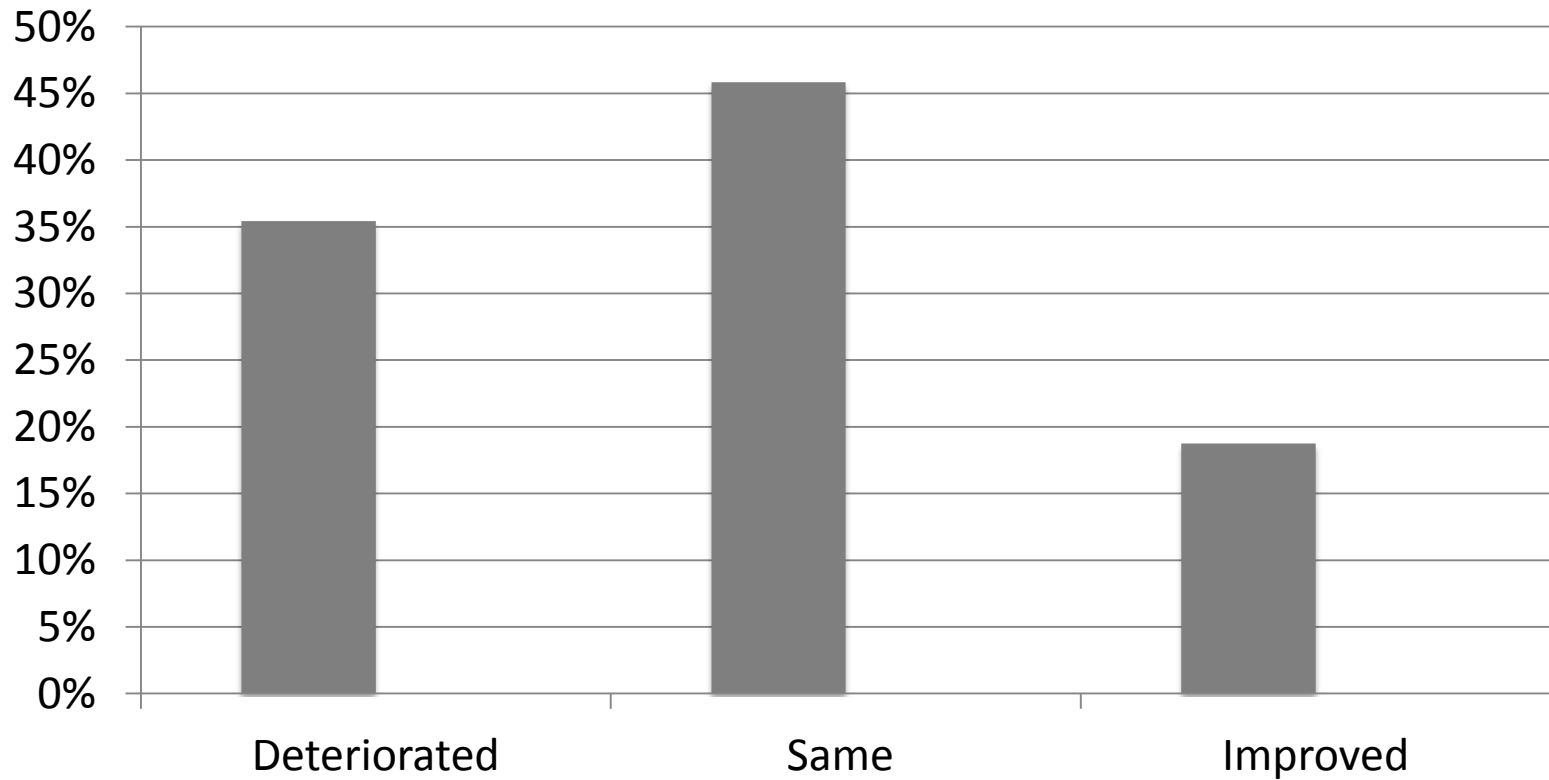
Expectations of labour/employment says more cuts to come



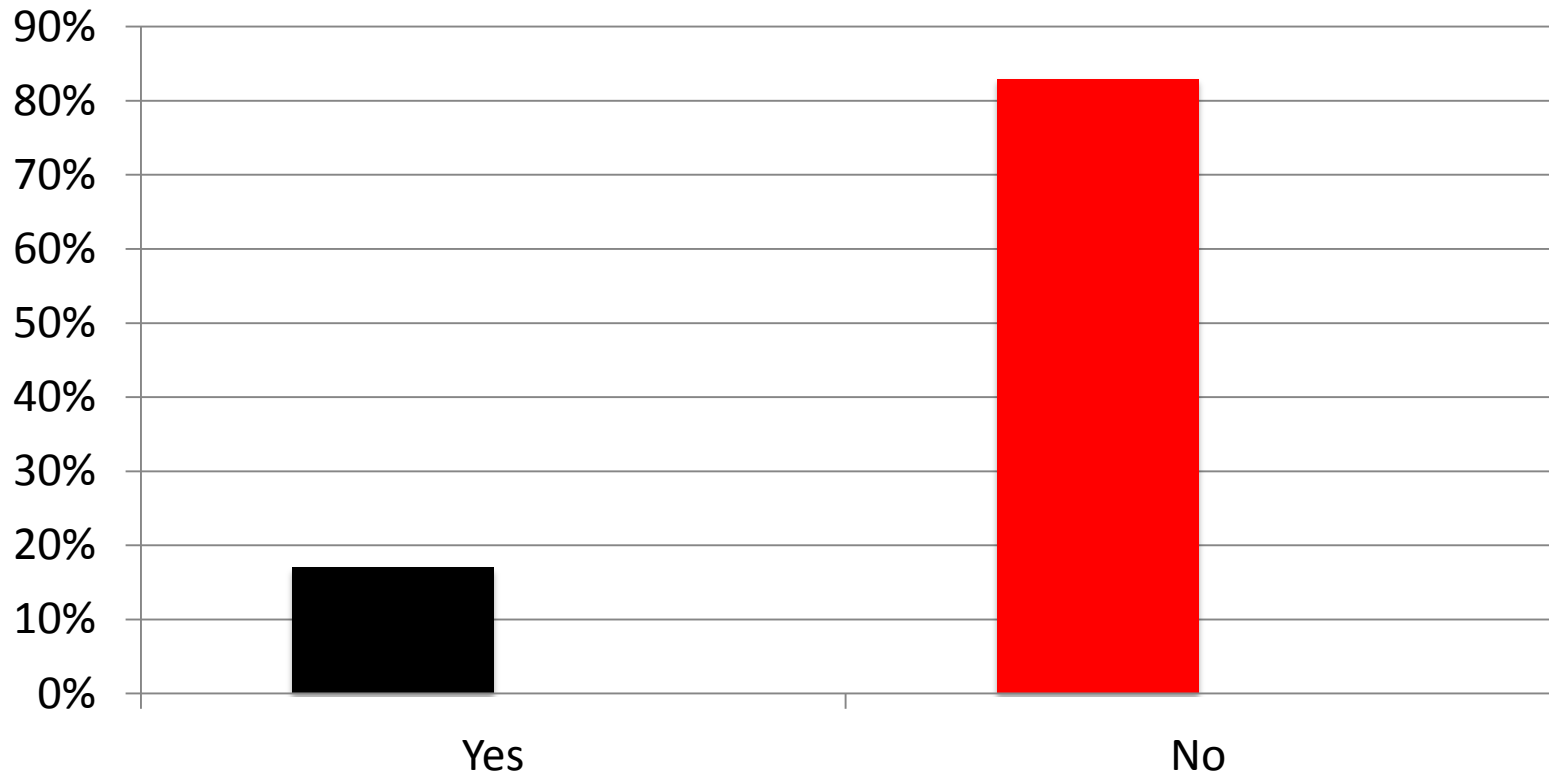
Manufacturers still implementing new methods
for competitiveness

Efficiency a big focus of the improvements





Labour productivity still seen as an issue



Government procurement not
a game changer still

Thank You

